



WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **Provisional Local Government Settlement 2022-23**
DATE **21 December 2021**
BY **Rebecca Evans MS, Minister for Finance and Local Government**

Today, I am publishing details of the core funding allocations for local authorities for the forthcoming financial year through the Provisional Local Government Revenue and Capital Settlements for 2022-23 (the Settlement). I am also publishing Wales-level indicative core funding allocations for 2023-24 and 2024-25.

Adjusting for transfers, the core revenue funding for local government in 2022-23 will increase by 9.4% on a like-for-like basis compared to the current year. No authority will receive less than an 8.4% increase. In 2022-23, local authorities will receive £5.1bn from the Welsh Government in Revenue Support Grant (RSG) and non-domestic rates (NDR) to spend on delivering key services.

In addition to this, I am publishing information on revenue and capital grants planned for the following three years. For 2022-23, these amount to more than £1.1bn for revenue and over £700m for capital. We are providing these indicative grant values now so local authorities are able to plan their budgets efficiently. This information will be further updated in the final settlement.

The indicative Wales-level core revenue funding allocations for 2023-24 and 2024-25 are £5.3bn and £5.4bn respectively – equating to an uplift in the first year of £177m (3.5%) and, in the second year, of £128m (2.4%). These figures are indicative and dependent on both our current estimates of NDR income over the multi-year settlement period, and the funding provided to us by the UK Government through the 2021 Comprehensive Spending Review.

Indications are that specific revenue grant funding will continue to be above £1.1bn annually for the duration of this multi-year settlement, and capital grants will be in excess of £700m each year.

As in recent years, our priorities continue to be health and local government services. This significantly increased Settlement will enable local authorities to continue to deliver the services their communities want and need as well as supporting national and local ambitions for the future, including responding to the climate and nature emergency and contributing to our Net Zero Wales plan.

This is a good Settlement for local government, including Wales-level core funding allocations for 2023-24 and 2024-25. It provides local authorities with a stable platform on which to plan their budgets for the coming financial year and beyond. We have worked closely with local government and we appreciate the pressures local government is facing. We will continue to protect local government, particularly at this difficult and challenging time.

In making decisions about the level of funding for local government, I have responded to the need to ensure that hardworking staff receive well-deserved pay rises in the future. In particular I have included funding to enable local authorities to meet the additional costs of introducing the real Living Wage for care workers as set out by the Minister for Health and Social Services yesterday. This allocation includes a transfer of £5m, for which the base of the Settlement has been adjusted, from the Social Care Workforce and Sustainability grant.

The funding provided through this Settlement also recognises the decision made around the 2021/22 teachers' pay deal and includes funding for the costs arising from the 2022/23 pay deal, which fall within this Settlement year. Accordingly, I will not be making any further funding available in-year in recognition of the 2022/23 teachers' pay deal, and authorities' budget planning must accommodate these costs in the light of this Settlement.

More widely on public sector pay, this Settlement includes funding to cover the increased costs local authorities will face arising from the UK Government's announcement to increase National Insurance contributions for employers.

Alongside the Settlement, we are continuing to provide funding to support local government to waive fees for child burials. This shared commitment ensures a fair and consistent approach across Wales.

In line with our focus on countering the effects of poverty, we remain committed to protecting vulnerable and low-income households from any reduction in support under the Council Tax Reduction Schemes, despite the shortfall in the funding transferred by the UK Government following its abolition of council tax benefit. We will continue to maintain full entitlements under our Council Tax Reduction Scheme (CTRS) for 2022-23 and are again providing £244m for CTRS in the Settlement in recognition of this.

As I announced yesterday, I am maintaining the approach taken in 2021-22 and am continuing to freeze the non-domestic rates multiplier for 2022-23. I have provided an additional £35m in RSG in 2022-23 to offset the reduced income and a further £1m for the following two years. Through this Settlement, I am also continuing to provide £4.8m for authorities to deliver additional discretionary rates relief for local businesses and other ratepayers to respond to specific local issues.

The Local Government and Elections (Wales) Act 2021 (the Act) provides for the creation and ongoing development of corporate joint committees to allow authorities to work together on specific functions such as transport, economic development and planning. Following one-off specific grant funding this financial year to support preparatory work, I am delivering ongoing additional funding to support the core operation of these committees through the Settlement.

A robust democracy is an essential feature of local government. In determining the overall Settlement, I have sought to recognise the need to build the capacity of electoral services to deal with Welsh electoral reform, following our reforms in the Act and to support our future work.

The progress of the pandemic and its ongoing impact on public services continues to be highly uncertain. The comprehensive spending review did not provide any additional financial support, which is a concern, especially following the emergence of the new Omicron variant. I have carefully considered how to manage pandemic support for local authorities and concluded the balance lies in providing funding in the first year through the Settlement. But in determining the overall Settlement, I have recognised the ongoing impact of the pandemic on services which authorities will need to manage.

I will continue to engage closely with local government through the WLGA.

I set out the position on capital funding for the Welsh Government as part of my budget statement on Monday. The capital funding we received from the UK Government was disappointing and is not sufficient to meet our ambitions to invest in Wales' future.

Following a review of our capital budgets, general capital funding for local government for 2022-23 will be set at £150m. This will increase to £200m for the following two years, including £20m in each year to enable authorities to respond to our joint priority of decarbonisation.

Attached to this statement is a summary table setting out the Settlement allocations (Aggregate External Finance (AEF)) by authority. The allocations are derived using the formula agreed with local government. As a result of the formula and related data, the table shows the range of the funding allocations, from an 8.4% increase over the 2021-22 settlement to an 11.2% increase. Given the significant increases, I am not proposing to include a floor this year and have allocated all the available funding in this Settlement.

Further details will be sent to all local authorities and published on the Welsh Government's website: <https://gov.wales/local-government-revenue-and-capital-settlement-2022-2023>

While this is a good Settlement building on improved allocations in recent years, I recognise that this does not reverse the years of constraint as a result of overall austerity in public finances. Local authorities will still need to make some difficult decisions in setting their budgets and it is important they engage meaningfully with their local communities as they consider their priorities for the forthcoming year.

The setting of budgets, and in turn council tax, is the responsibility of each local authority. They will need to take account of the full range of funding sources available to them, as well as the pressures they face, in setting their budgets for the coming year.

This announcement commences the formal seven-week consultation on the Settlement. This will end on 8 February 2022.

This statement is being issued during recess in order to keep members informed. Should members wish me to make a further statement or to answer questions on this when the Senedd returns, I would be happy to do so.

Summary Table

2022-23 provisional Settlement – comparison of 2021-22 AEF (adjusted for transfers) and 2022-23 provisional AEF, and distribution of the 2021-22 Council Tax Reduction Schemes funding (distributed within AEF) (£000s)

Authority	2021-22 adjusted AEF ¹	2022-23 provisional AEF	% change on adjusted 2021-22 AEF	Rank	Council Tax Reduction Schemes (within AEF)
Isle of Anglesey	104,872	114,549	9.2%	12	5,240
Gwynedd	195,905	213,210	8.8%	17	8,263
Conwy	167,356	183,308	9.5%	5	9,189
Denbighshire	159,060	173,637	9.2%	15	8,536
Flintshire	212,608	232,174	9.2%	14	9,680
Wrexham	189,233	207,060	9.4%	7	9,275
Powys	192,088	210,257	9.5%	6	8,978
Ceredigion	110,006	119,419	8.6%	19	5,126
Pembrokeshire	179,422	196,253	9.4%	8	8,180
Carmarthenshire	285,262	311,597	9.2%	11	14,006
Swansea	353,571	386,585	9.3%	9	19,339
Neath Port Talbot	237,289	258,068	8.8%	18	15,955
Bridgend	212,755	232,364	9.2%	13	12,866
The Vale Of Glamorgan	168,128	186,011	10.6%	3	9,088
Rhondda Cynon Taf	407,050	441,433	8.4%	21	21,005
Merthyr Tydfil	101,493	110,616	9.0%	16	5,627
Caerphilly	292,712	317,453	8.5%	20	12,651
Blaenau Gwent	120,657	130,795	8.4%	22	8,166
Torfaen	146,560	160,117	9.3%	10	8,500
Monmouthshire	101,003	112,275	11.2%	1	5,918
Newport	240,957	265,612	10.2%	4	10,337
Cardiff	492,095	544,715	10.7%	2	28,076
All Unitary Authorities	4,670,080	5,107,507	9.4%		244,000

Note: Total may not sum correctly due to rounding

1. 2021-22 AEF adjusted transfers of £18.585m (at 2021-22 prices) into and out of the Settlement and for the latest, 2022-23 tax base.